

Message Text

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TO AMEMBASSY BONN PRIORITY

S E C R E T STATE 009363

EXDIS

FOLLOWING REPEAT STATE 009363 SENT OSLO BRUSSELS LONDON
OECD PARIS DATED JAN 14.

QUOTE

S E C R E T STATE 009363

EXDIS

E.O. 11652: GDS

TAGS: ENRG/OECD/NO

SUBJECT: IEA - PROPOSED AGREEMENT WITH NORWAY

REF: OECD PARIS 30729

1. AFTER FURTHER STUDY OF THE REVISED DRAFT AGREEMENT WITH
NORWAY, WHICH IEA CHAIRMAN DAVIGNON HAS DISCUSSED WITH GON
REPRESENTATIVES AND TABLED AT THE GOVERNING BOARD ON
DECEMBER 19 (REFTEL), WE CONTINUE TO FIND IT INADEQUATE.
AS WE HAVE EXPLAINED PREVIOUSLY, WE RECOGNIZE THAT NORWAY
IS UNABLE TO ACCEPT THE DEGREE OF AUTOMATICITY REQUIRED

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UNDER THE IEP. WE ARE, THEREFORE, PREPARED TO EXPLORE

SOME TYPE OF ESCAPE CLAUSE FOR NORWAY. HOWEVER, WE BELIEVE THAT THIS ESCAPE CLAUSE MUST BE STRICTLY LIMITED IN NATURE AND THAT IN RETURN FOR THIS SPECIAL DISPENSATION, NORWAY SHOULD TAKE ON COMMITMENTS (E.G. POTENTIAL ALLOCATION OBLIGATIONS) WHICH ARE GREATER THAN THOSE SHE WOULD HAVE ASSUMED AS A FULL MEMBER.

2. PARA 3 OUTLINES THE CHANGES WHICH WE BELIEVE SHOULD BE MADE IN THE DRAFT. WE REALIZE THAT THE NORWEGIANS HAVE ALREADY DISCUSSED SOME OF THESE POINTS WITH IEA CHAIRMAN DAVIGNON AND INDICATED THEY WERE NOT ABLE TO

ACCEPT THEM. BUT WE ARE VERY MUCH CONCERNED THAT AN AGREEMENT WITH NORWAY AS ENVISIONED IN THE CURRENT DRAFT TEXT WOULD RISK A SERIOUS EROSION OF THE INTEGRITY AND POLITICAL VIABILITY OF THE IEP. FOR EXAMPLE, ANY AGREEMENT WHICH CLEARLY IMPOSED A SUBSTANTIALLY LESS DIFFICULT SET OF COMMITMENTS ON NORWAY COULD CREATE STRONG DOMESTIC PRESSURES FOR SIMILAR TREATMENT IN OTHER IEA COUNTRIES, SOME OF WHOM MIGHT NOW OR IN THE FUTURE QUALIFY AS NET OIL EXPORTERS. THIS COULD BE A MOST DANGEROUS DEVELOPMENT, PARTICULARLY DURING THIS PERIOD BEFORE MAY 1, 1975, WHEN COUNTRIES ARE ONLY PROVISIONALLY BOUND TO THE IEP. IT COULD ALSO SERIOUSLY PREJUDICE OUR SUCCESS IN ACHIEVING THE DEGREE OF CONSUMER COOPERATION WHICH IEA MEMBERS HAVE AGREED IS AN ESSENTIAL PRECONDITION TO A FORMAL CONFERENCE WITH THE PRODUCERS.

3. (A) ARTICLE I: THE AGREEMENT SHOULD SPECIFY PRECISELY WHEN NORWAY WOULD BE OBLIGATED TO MAKE ADDITIONAL OIL AVAILABLE TO THE GROUP, ABSENT A NORWEGIAN DECISION TO EXERCISE THE ESCAPE CLAUSE. IT SHOULD ALSO ESTABLISH IN ADVANCE AT LEAST THE MINIMUM AMOUNT OF OIL NORWAY WOULD MAKE AVAILABLE FOR ALLOCATION. IN OUR VIEW, NORWAY'S OBLIGATION ON THE FIRST POINT SHOULD BE NO LESS THAN THAT OF OTHER MEMBERS AND HER COMMITMENT UNDER THE SECOND SHOULD OFFER SOME PROSPECT OF HER MAKING AVAILABLE MORE OIL THAN SHE WOULD BE OBLIGATED TO ALLOCATE AS A FULL MEMBER. WE SUGGEST THE FOLLOWING DRAFT LANGUAGE WHICH WE BELIEVE WOULD

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MEET THESE CRITICAL POINTS:

QUOTE: I. NORWAY SHALL:

(1) IN THE EVENT OF A REDUCTION IN OIL SUPPLIES AS DEFINED IN CHAPTER IV, PARTICIPATE, UNLESS ITS GOVERNMENT DECIDES OTHERWISE FOR REASONS OF OVERRIDING NATIONAL POLICY, IN THE IMPLEMENTATION OF THE EMERGENCY MEASURES

ACTIVATED PURSUANT TO THAT CHAPTER; IN THE EVENT THAT THESE MEASURES INCLUDE ALLOCATION OF OIL, ADD TO ITS NORMAL DELIVERIES TO OTHER PARTICIPATING COUNTRIES SUCH ADDITIONAL QUANTITIES OF OIL AS ARE REQUIRED UNDER THE PROVISIONS OF ARTICLES 7 AND 8 PLUS SUCH FURTHER AMOUNTS AS ARE AVAILABLE FROM NORWEGIAN STANDBY PRODUCTION CAPACITY.

(2) ENTER INTO ANNUAL CONSULTATIONS WITH THE IEA IN ORDER TO SPECIFY THE AMOUNT OF STANDBY PRODUCTION CAPACITY REFERRED TO ABOVE.

(3) ADHERE TO CHAPTERS V-VII OF THE INTERNATIONAL ENERGY PROGRAM. END QUOTE.

(B) DRAFT ENTRY IN THE MINUTES: THE DRAFT ENTRY SHOULD INDICATE THAT NORWAY WOULD BOTH ELABORATE AND APPLY DEMAND RESTRAINT PROGRAMS IN ACCORDANCE WITH ARTICLE 5 OF THE IEP.

4. FOR OSLO: EMBASSY SHOULD DRAW ON SUBSTANCE PARAS 1-3 IN MAKING PRESENTATION TO NORWEGIANS OF US POSITION. (DEPARTMENT UNDERSTANDS THAT AMBASSADOR WILL RAISE ISSUE INITIALLY WITH FRYDENLUND ON JANUARY 15.) EARLY REPORT OF NORWEGIAN REACTIONS WOULD BE APPRECIATED.

5. FOR LONDON AND BONN: ALSO DRAWING ON PARAS 1-3, YOU SHOULD RAISE SUBJECT OF IEA AND NORWAY WITH APPROPRIATE HOST GOVERNMENT OFFICIALS AND EXPLAIN WE INTEND TO RAISE ISSUE DIRECTLY WITH THE NORWEGIAN GOVERNMENT IN EFFORT TO FORMULATE NEW LANGUAGE WHICH WOULD BE ACCEPTABLE TO NORWAY AND STILL MEET OUR MAJOR POINTS. WE WOULD HOPE THAT AFTER HAVING HAD AN
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OPPORTUNITY TO STUDY THE REVISED DRAFT IN DETAIL THEY SHARE OUR CONCERN AND WE WOULD APPRECIATE ANY EFFORT THEY MIGHT DECIDE APPROPRIATE TO SUPPORT OUR APPROACH TO THE NORWEGIANS.

6. FOR BRUSSELS: PLEASE INFORM DAVIGNON OF OUR POSITION. INDICATE WE ARE RETAINING OUR RESERVATION ON THE PREVIOUS DRAFT AGREEMENT PENDING AN OPPORTUNITY TO EXPLORE THIS ISSUE DIRECTLY WITH THE NORWEGIANS. THE US WOULD APPRECIATE ANY EFFORT DAVIGNON MIGHT BE PREPARED TO UNDERTAKE WITH THE NORWEGIANS IN THIS REGARD.

7. FOR USOECD: INFORM LANTZKE THAT WE HAVE MAINTAINED OUR RESERVATIONS ON DRAFT AGREEMENT AND HAVE SO INFORMED DAVIGNON. KISSINGER UNQUOTE KISSINGER

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